

Message Text

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44

ACTION EA-14

INFO OCT-01 ISO-00 OMB-01 EB-11 COME-00 INT-08 SCEM-02

SCI-06 TRSE-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 ACDA-19 IO-14 NEA-10 CIEP-02 CEA-02 AGR-20

STR-08 FMC-04 CG-00 AEC-11 DRC-01 /211 W

----- 112547

R 291015Z NOV 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 9469

INFO AMCONSUL HONG KONG

AMEMBASSY SINGAPORE

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: ENRG, RP

SUBJECT: OIL SUPPLY PROBLEMS

REF: A) MANILA 13286; B) MANILA 13139

SUMMARY: FOLLOWING ANNOUNCEMENT OF ARAB STATES
DESCISION TO EXEMPT PHILIPPINES FROM FURTHER FIVE
PERCENT CUTBACK FOR DECEMBER, PRESIDENT MARCOS SAID
HE LOOKS FORWARD TO NORMALIZATION OF ENERGY
SITUATION SOON AND HAS TAKEN ACTION TO INCREASE
SUPPLY OF PETROLEUM PRODUCTS TO LOCAL MARKET. AT
SAME TIME OIL ALLOCATION BOARD HAS BEEN GIVEN
RESPONSIBILITY OF ENSURING THAT INDUSTRY AND
AGRICULTURE HAVE ADEQUATE SUPPLIEST TO
MAINTAIN PRODUCTION AT NORMAL LEVELS. HOWEVER, OIL
COMPANIES CONTINUE TO WARN THAT OVERALL SUPPLY SITUATION REMAINS
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CRITICAL. IN MOVE TO CLARIFY BUNKER OIL SITUATION

DEPARTMENT OF TRADE HAS BEEN ORDERED TO DRAW UP GUIDELINES FOR IMPLEMENTATION OF REQUIRED 30 PERCENT CUT. VERY LIKELY THAT PRESENT SYSTEM WHICH GIVES PRIORITY TO PHILIPPINE VESSELS WILL REMAIN IN FORCE.
END SUMMARY

1. PRESIDENT MARCOS HAS ORDERED OIL COMPANIES TO DELIVER ENOUGH GASOLINE TO DEALERS TO ENABLE THEM TO SELL EACH CUSTOMER ONE WEEKS SUPPLY. ORDER CAME AFTER ANNOUNCEMENT THAT ARAB STATES WOULD NOT FURTHER CUT PHILIPPINE ALLOCATION IN DECEMBER AND AFTER SHELL HAD TOLD GOP IT WOULD INCREASE ITS GASOLINE DELIVERIES AND WOULD BRING IN NAPHTHA FOR REFINING TO GASOLINE. LATTER MOVE TAKEN AFTER PRESIDENT AUTHORIZED DUTY FREE ENTRY OF SEMI-FINISHED PRODUCTS. PRICE RISE GRANTED NOVEMBER 27 (REF A) PLAYED IMPORTANT PART IN SHELL DECISION. SHELL GASOLINE INCREASES WILL BE DRAWN FROM INVENTORY AND BY INCREASED REFINING OF GASOLINE. OTHER COMPANIES WILL DELIVER FROM INVENTORIES, LIKELY RESULTING IN GREATER SHORTAGE IN DECEMBER AND JANUARY.

2. IN ATTEMPT TO ENSURE THAT PRODUCTION IN AGRICULTURE AND INDUSTRY NOT CURTAILED, OIL ALLOCATION BOARD (REF B) HAS BEEN INVESTIGATING COMPLAINTS OF FUEL AND OIL PRODUCT INSUFFICIENCY BY LOCAL PRODUCERS. IN CASES WHERE BOARD DETERMINES THAT NORMAL SUPPLIER CANNOT FILL REQUIREMENTS BOARD HAS DISCRETION TO REQUIRE ANOTHER OIL COMPANY TO MAKE DELIVERY. THERE HAVE BEEN REPORTS THAT SOME INDUSTRIES HAVE BEEN OR WILL SOON BE FORCED TO CUT BACK PRODUCTION BUT IN GENERAL DESPITE DELAYS AND INCONVENIENCES AGRICULTURE AND INDUSTRY HAVE THUS FAR BEEN GETTING SUFFICIENT SUPPLIES. ALLOCATION BOARD CHAIRMAN ACKNOWLEDGES THAT HE IS IMPROVISING BY EFFORTS TO ACHIEVE SHORT-RANGE SOLUTIONS THROUGH DRAWING ON INVENTORIES. OIL COMPANIES WARN THAT SUPPLY SITUATION REMAINS HIGHLY UNCERTAIN DESPITE ARAB ANNOUNCEMENT, AND ARE CONCERNED ABOUT FUTURE SUPPLIES.

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3. SHIP BUNKERING POLICY AND PRACTICE CONTINUE MUDDLED. UNDER INSTRUCTION TO REDUCE BUNKER FUEL CONSUMPTION BY 30 PERCENT, BUREAU OF CUSTOMS HAS ESTABLISHED PRIORITY SYSTEM BY WHICH PHILIPPINE FLAG VESSELS AND THOSE CARRYING PHILIPPINE PRODUCTS ARE GETTING HIGHEST PRIORITY. PRIORITIES ESTABLISHED BY GOP IN DESCENDING ORDER ARE:
(A) PHILIPPINE FLAG VESSELS CARRYING PHILIPPINE EXPORTS OR IMPORTS ARE PERMITTED BUNKERS SUFFICIENT FOR VOYAGE

FROM PHILIPPINES TO FOREIGN PORT AND RETURN.

(B) FOREIGN OWNED VESSELS UNDER PHILIPPINE CHARTER IF CARRYING PHILIPPINE EXPORTS RECEIVE BUNKERS SAME AS (A).

(C) FOREIGN FLAG VESSELS IF CARRYING 50 PERCENT OR MORE PHILIPPINE EXPORTS OR IMPORTS WILL RECEIVE BUNKERS SUFFICIENT TO REACH NEXT PORT WITH BUNKERING FACILITIES. SAFETY MARGIN OF 15 PERCENT IS GRANTED.

4. MEMBERS OF SHIPPING INDUSTRY MET WITH DEPT OF TRADE OFFICIALS NOV 28 TO DISCUSS GUIDELINES. AGENTS FOR FOREIGN FLAGS BROUGHT UP MULTITUDE OF CASES OF VESSELS THAT DO NOT QUALIFY FOR BUNKERS UNDER PRESENT GUIDELINES. DOT OFFICIALS INDICATED THAT SUGGESTIONS WOULD BE CONSIDERED AND NEW GUIDELINES ISSUED WITHIN WEEK. AGENTS BELIEVE NEW GUIDELINES WILL NOT DIFFER GREATLY FROM PRESENT RULES EXCEPT TO ACCOMMODATE VESSELS CARRYING PHILIPPINE EXPORTS NOT NOW INCLUDED. AT PRESENT CUSTOMS SUBMITTING ALL CASES WHICH REQUIRE CLARIFICATION OR EXCEPTION TO OIL ALLOCATION BOARD FOR DECISION.
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